

# Nike resets expectations after difficult Q1

Article

**The news:** Nike's sales slumped by 10% year over year (YoY) in the quarter ended August 31, emphasizing the uphill battle [incoming CEO Elliott Hill](#) faces as he tries to restore the brand's relevance.

- While the company withdrew its full-year guidance in an attempt to reset expectations before Hill takes the helm, it expects revenues in the current quarter to decline between 8% and 10% YoY—a bigger drop than the 6.9% fall analysts polled by LSEG anticipated.

- Nike also postponed its investor day, which was scheduled to be held in November and would have been its first in seven years.

**A tough spot:** Nike's revenue slide illustrates the scale of the company's problems as it struggles to win back market share it lost to competitors like [adidas](#), [Hoka](#), and [On Running](#) during its shift to direct-to-consumer (D2C) sales.

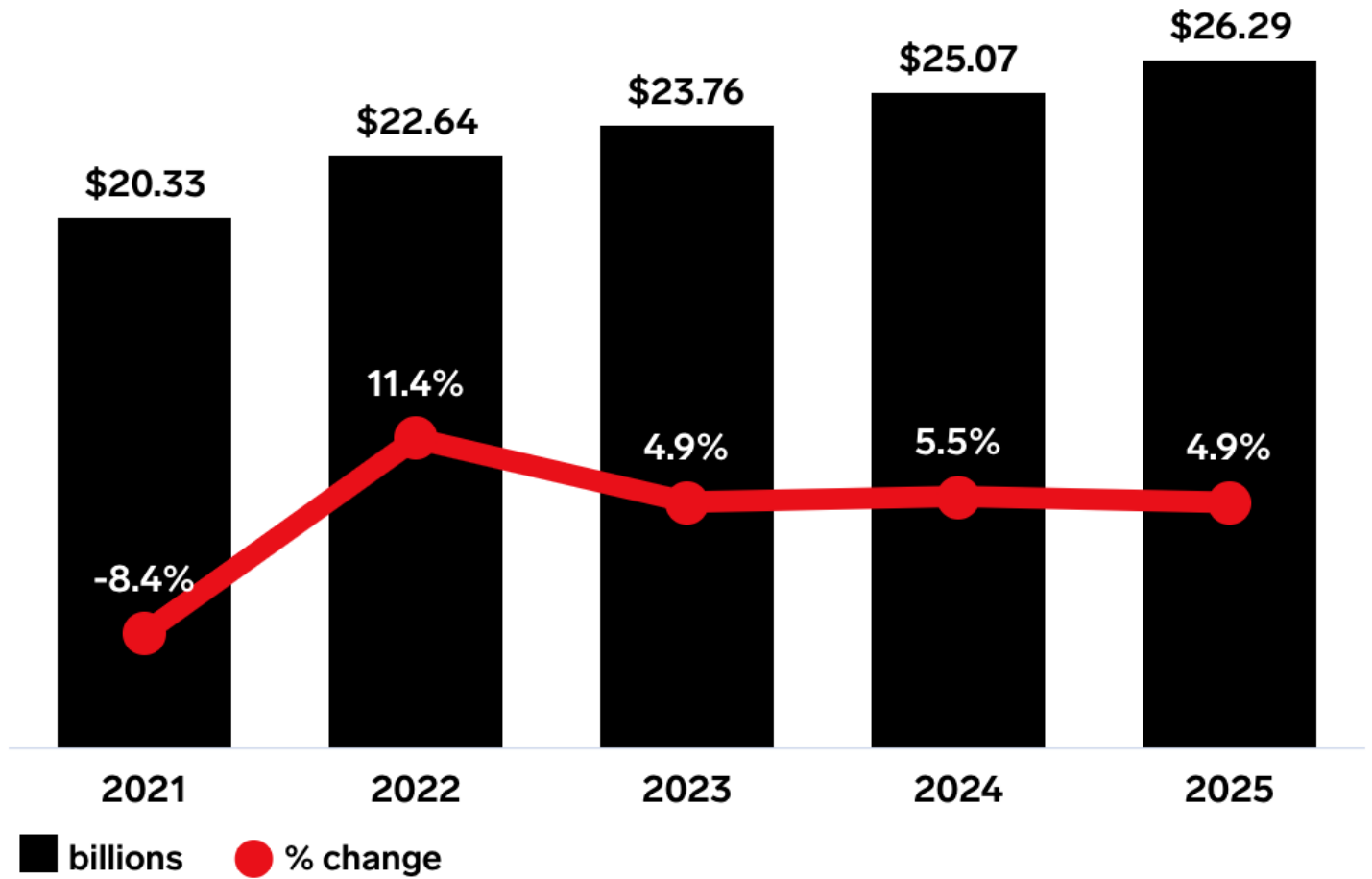
- Nike's overreliance on profitable franchises like Air Jordans and Air Force Ones, lack of innovation in the performance sneaker space, and decision to [pull back from wholesale](#) opened the door to [upstart brands like Hoka](#) and On Running, and gave rival adidas an opportunity to recapture consumers' attention with its hugely popular Terrace styles.
- **Despite acknowledging the need for innovation, the company has been slow to deliver:** Most of its new products won't hit shelves until 2025, which, along with its decision to pull back on production of its classic styles, is hurting sales in the short term.

While Nike is optimistic about its product pipeline, its waning influence may make it harder for new releases to gain traction. CFO **Matthew Friend** warned that "it will take time to expand market share" in a highly competitive wholesale landscape, although he also noted that consumers are so far responding positively to newer franchises like its Sabrina, Kobe, and Alphafly lines.

**Our take:** Nike is in considerable need of a reset, but progress will take time—particularly given the [difficult consumer environment in China](#), in addition to weakness in the US.

# Nike Inc. Total Sales

US, 2021-2025



Note: represents the total sales by Nike Inc., such as to a wholesaler, through temporary stores, through a third-party platform such as a marketplace, or directly to consumers via its owned and operated site or app and D2C physical stores

Source: EMARKETER Forecast, May 2024